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PREMIER TAX EVENT OF THE YEAR  
**NATIONAL TAX CONFERENCE**  
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# Economic Recalibration: What to Expect Next

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# OUTLINE



I. Why Recalibrate?



II. What Does the Economy Need?



III. Are Further Recalibration Needed?



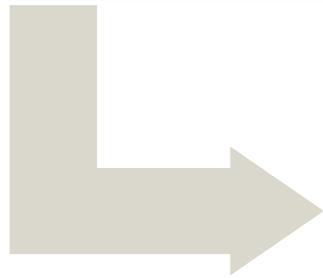
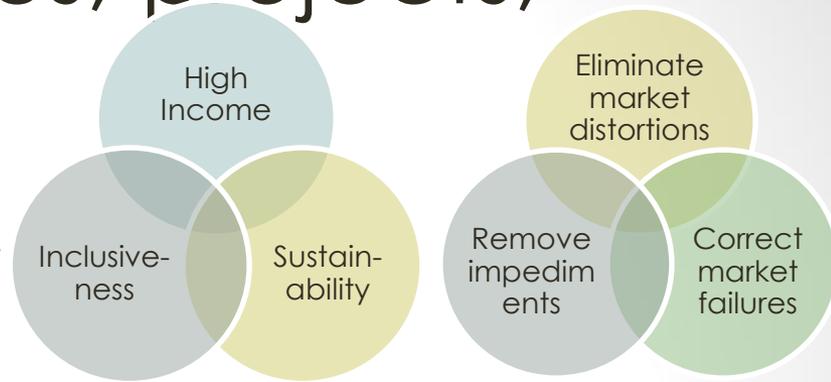
IV. Reset or Reboot ETP & 11MP Game Changers?

# I. Why Recalibrate?

# Align vision, mission, policies, goals, objectives, programmes, projects, measures

**Sectoral**

- Monetary
- Fiscal
- Industrial
- Labour
- Trade
- Competition



**National**

- Vision 2020
- 11MP
- ETP



**Global**



- SDG

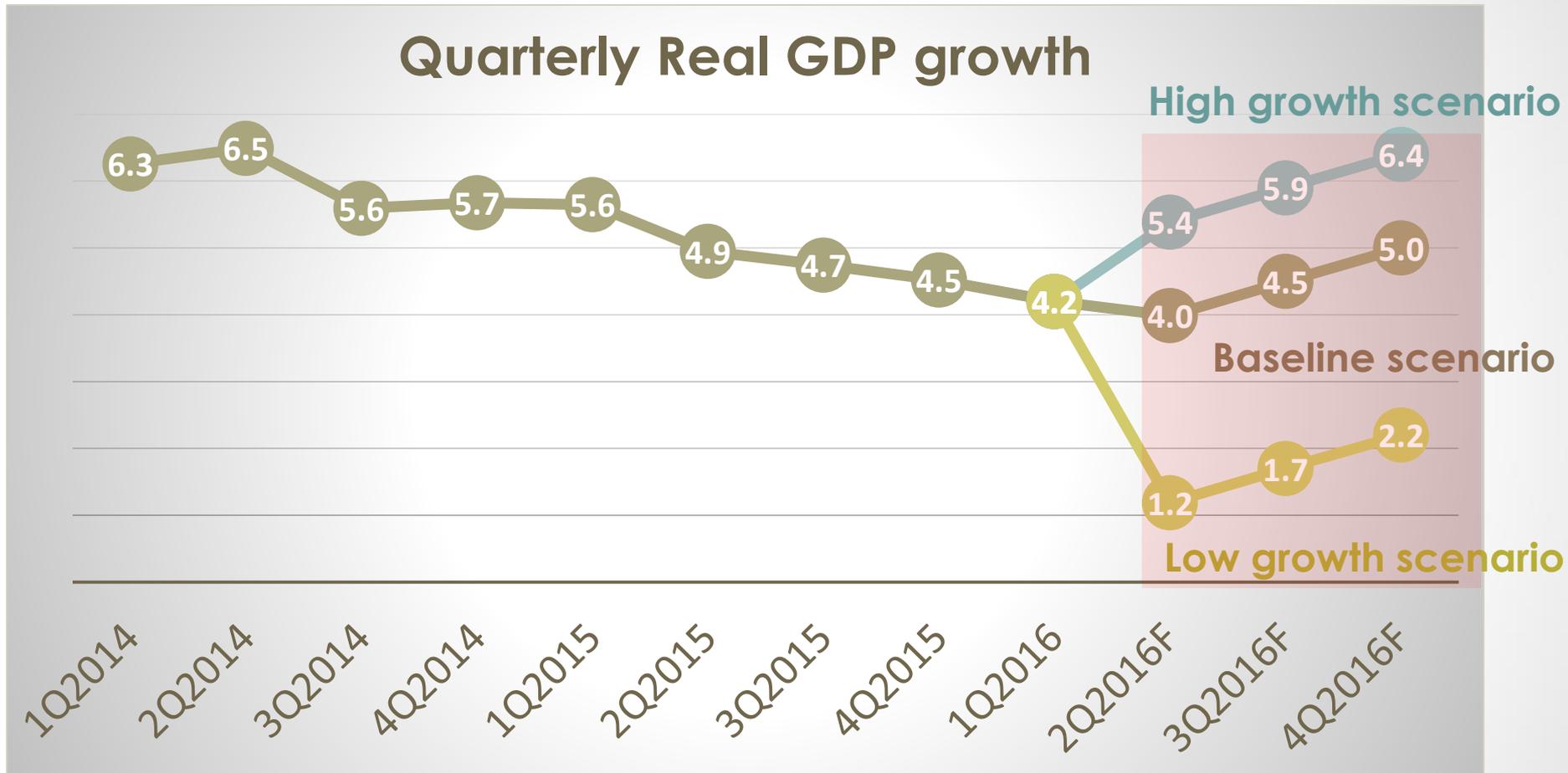


II.

What Does  
the Economy  
Need?

## II. What Does the Economy Need?

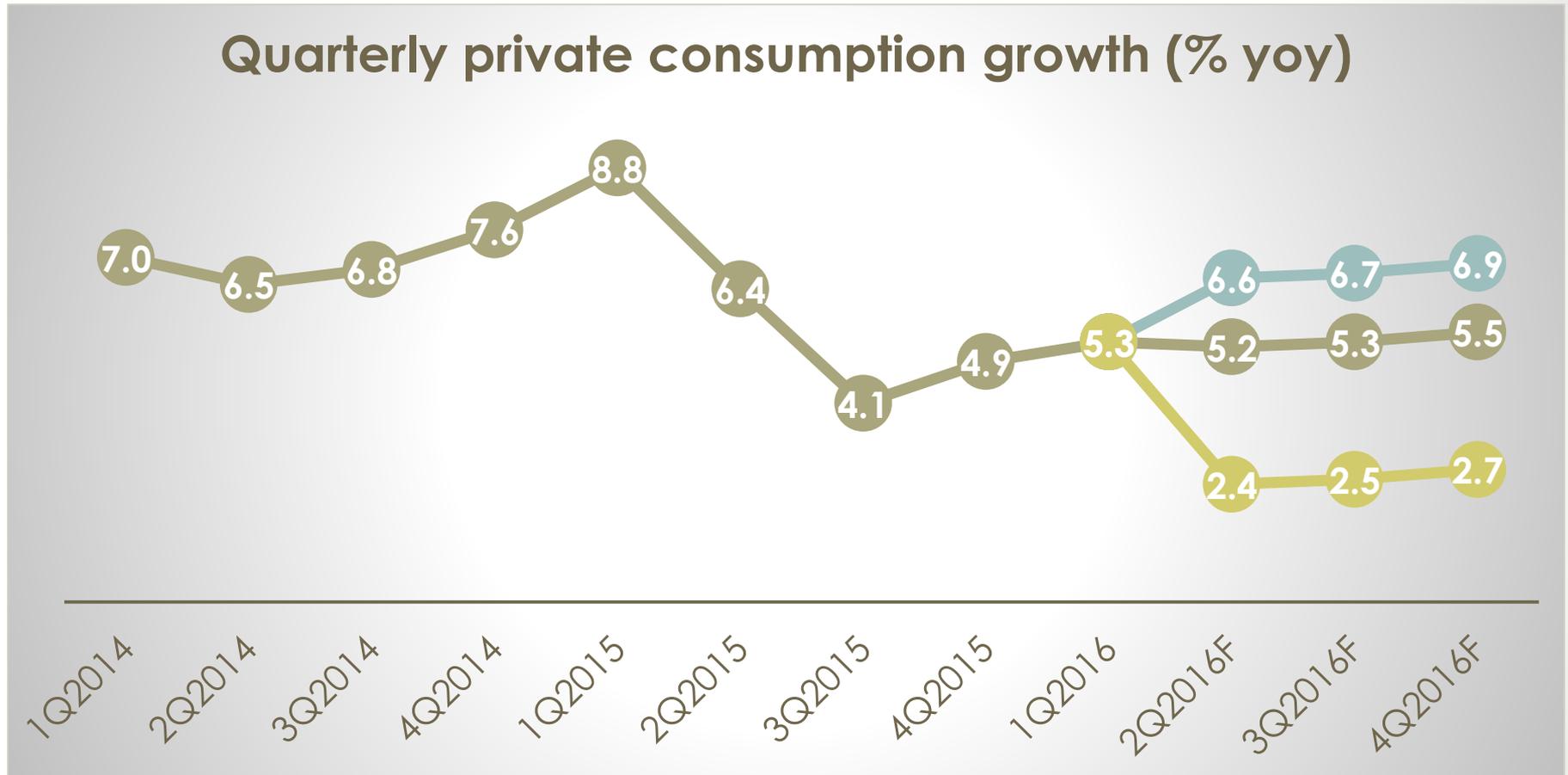
# Stronger growth ...



Source: BNM Monthly Statistical Bulletin June 2016; own forecasts

## II. What Does the Economy Need?

# Sustained private consumption ...

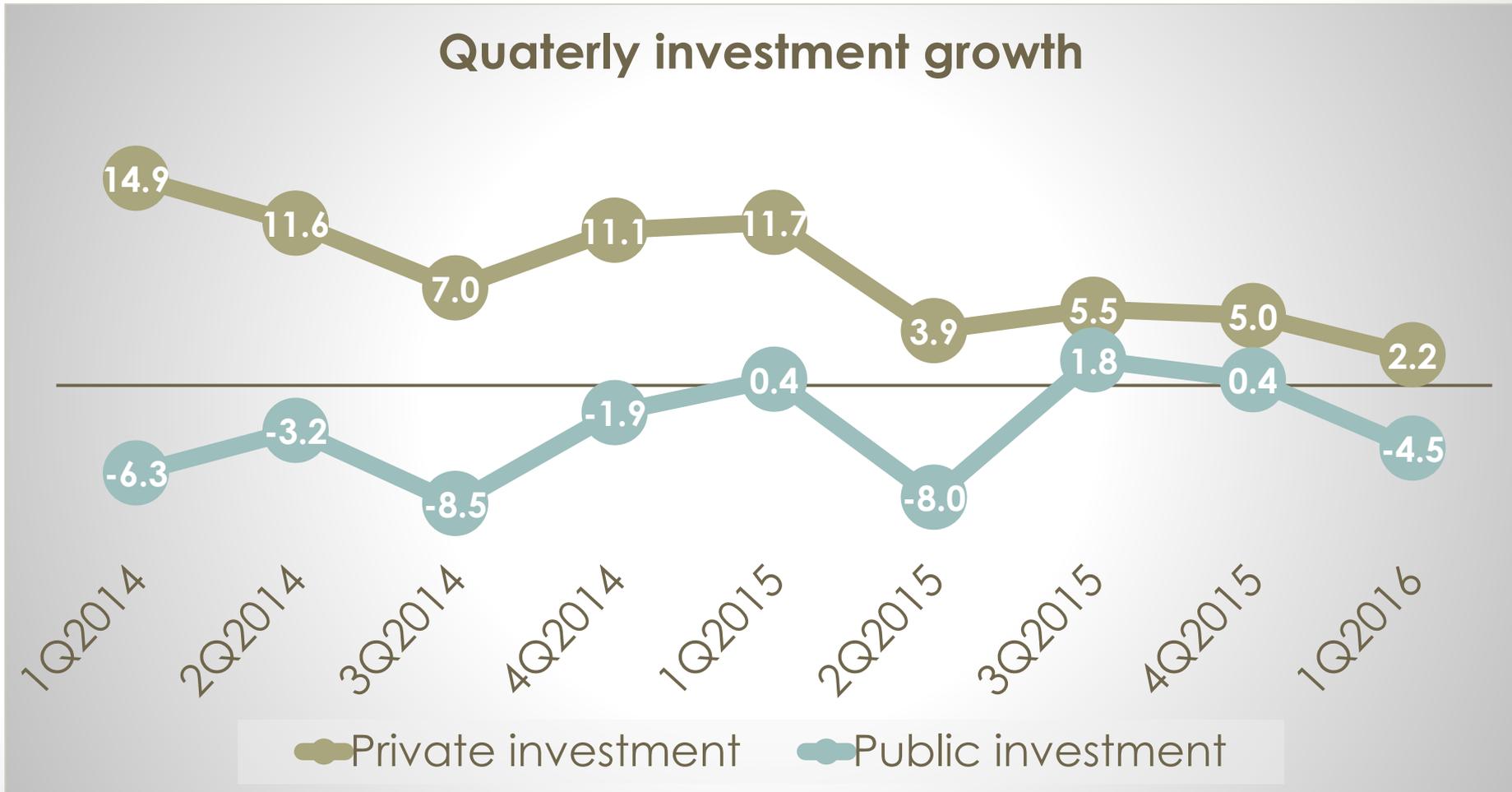


Source: BNM Monthly Statistical Bulletin June 2016; own forecasts

## II. What Does the Economy Need?

# More robust investment ...

Annual change yoy %

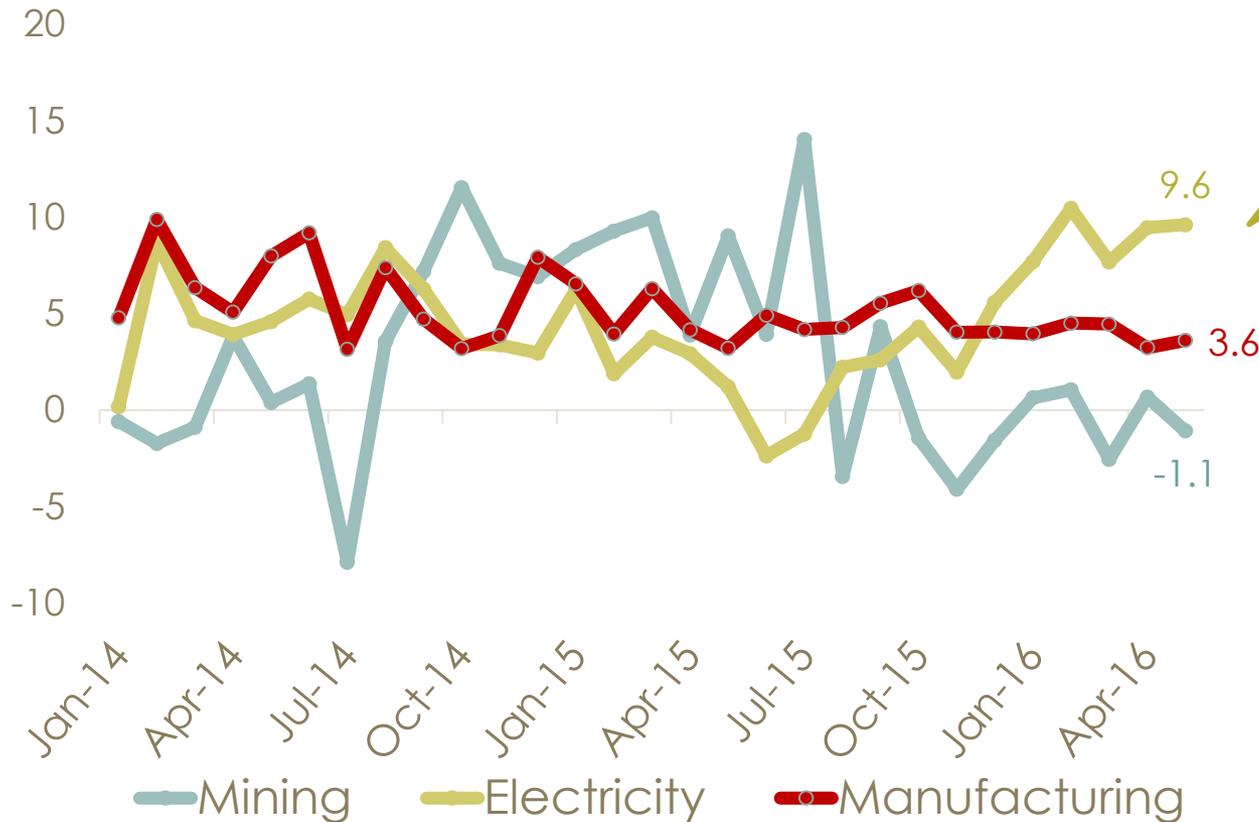


Source: BNM Monthly Statistical Bulletin June 2016

## II. What Does the Economy Need?

# Higher industrial output ...

Monthly change  
yoy %



Uptick in  
electricity  
consumption

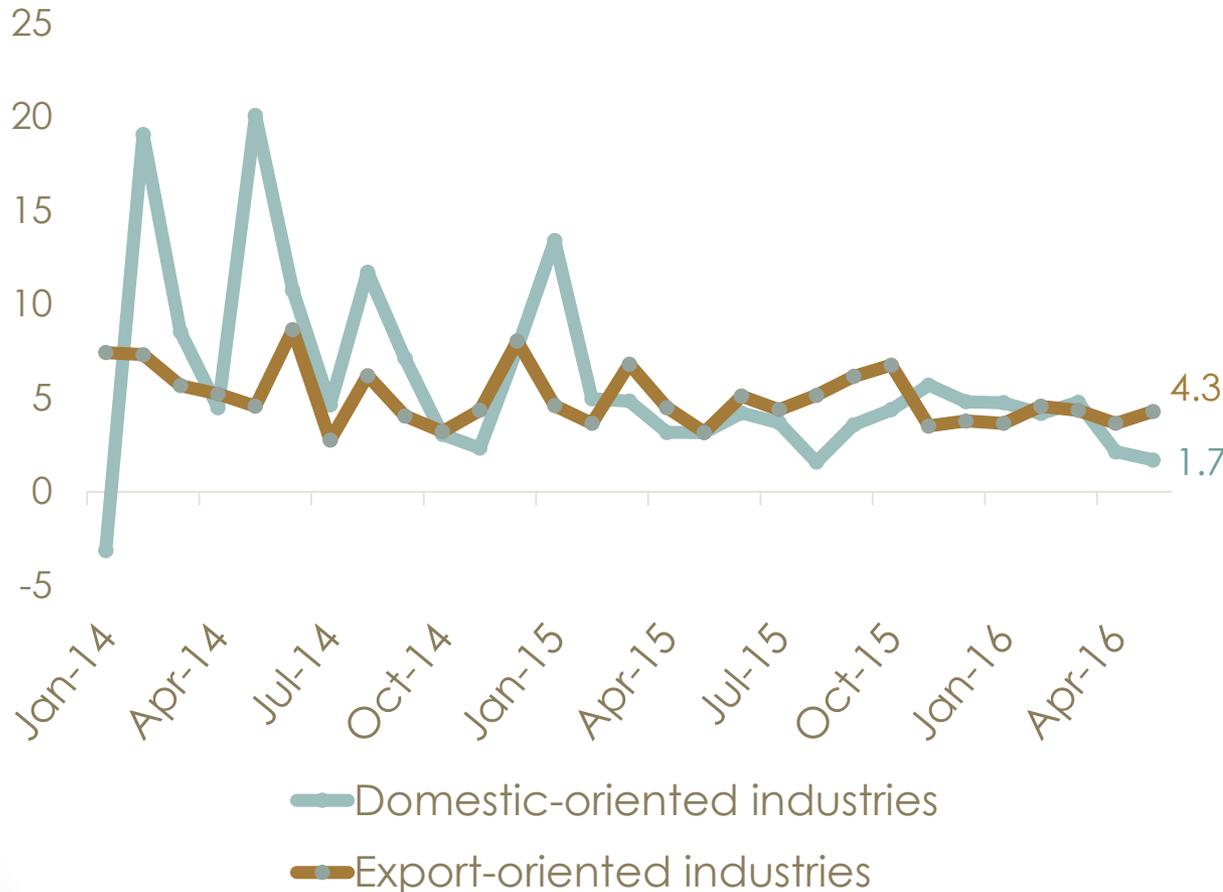
Manufacturing  
IPI hovering  
around 4%

Mining IPI  
in negative  
territory

## II. What Does the Economy Need?

# Support for domestic industries ...

Monthly  
change, yoy %



Domestic-oriented industries slowed to 4.7%

Export-oriented industries stabilising

## II. What Does the Economy Need?

# Slowing growth... *causes and concerns*

### Cyclical factors

Weak global demand

China's growth uncertainties

Weak commodity demand & prices

Weak ringgit

Poor sentiments/  
confidence

### Structural factors

High household indebtedness

Fiscal constraints

Low indigenous technological capabilities

Skills shortages

Widening income gap



III.

Are Further  
Recalibrations  
Needed?

### III. Are Further Recalibrations Needed?

# Economic challenges

## Cyclical factors

## Structural factors



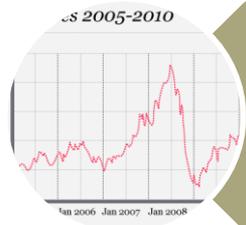
Rise in retrenchments

Unemployment insurance



Rising household indebtedness

Macro-prudential measures



Weak commodity prices

Bio-diesel



Low wages

Minimum wage; skills upgrading



Moderating wage and income growth

B40; BRIM



Slower population increase

Aged care

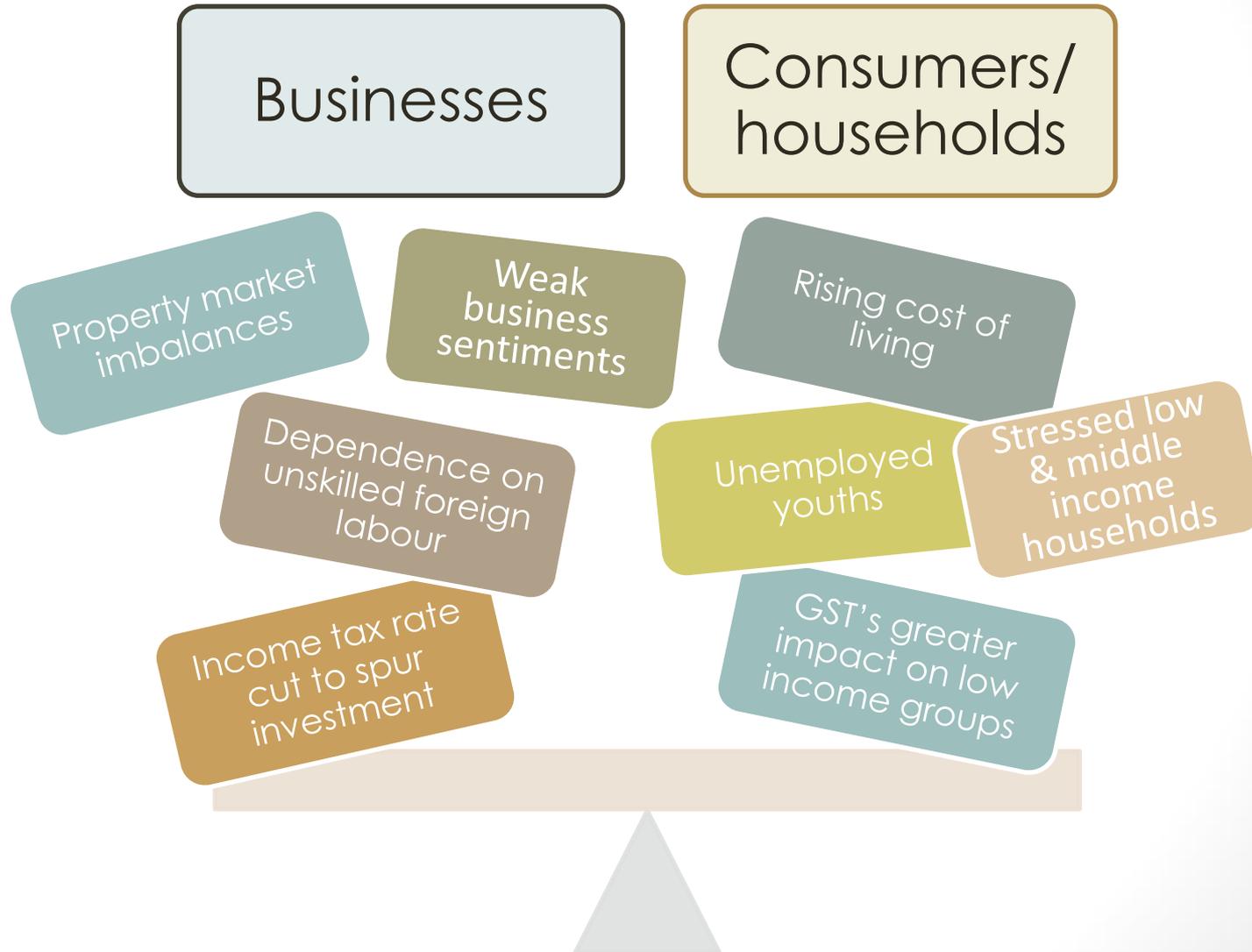


Income inequality

Education & skills upgrading

### III. Are Further Recalibrations Needed?

# Fine-tuning of economic imbalances and distortions





IV.

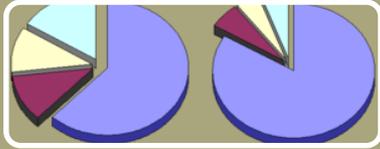
Do 11MP Game-changers need  
REBOOT or  
RESET?

## IV. Do 11MP Game-changers need REBOOT or RESET?



### Unlocking productivity potential

- Comprehensive strategies at all levels; spearheaded by industry champions and associations
- All sectors; aligned closely to industry needs; programme incentives linked to outcomes



### Uplifting B40 households

- Raise B40 to middle class through education/skills upgrading; community & social-based enterprises
- Build capacity in high productivity, innovative and creative economic activities



### Enabling industry-led TVET

- Single technical qualification; single rating system for providers; industry-led curriculum design
- Centres of excellence in niche areas created by private sector; maximise intake; career of choice



### Embarking on green growth

- Quality rather than quantity of growth; waste as resource; investment in climate change mitigation
- Shared responsibility for environment; resource and energy efficiency rather than intensity



### Translating innovation to wealth

- Enterprise innovation: Researchers-industry partnerships; promote private investment in R&D&C&I;
- Social innovation: 'Whole-society' approach; social financing model and outcome-based funding



### Building competitive cities

- Emphasis on public transportation, affordable housing, knowledge-intensive industries
- Increase economic density; efficient waste management; local authorities as strategic drivers

## IV. Do 11MP Game-changers need REBOOT or RESET?

### RESET

- Mind-set change - Focus on external threats and opportunities under AEC, RCEP, TPPA
- Sharing economy & disruptive technologies/business models – opportunities for new business models to widen opportunities for low and middle income groups

### REBOOT

- Preserve fiscal space – focus on spending efficiency and outcome-based budgeting; reduce contingent liabilities
- Sustain subsidy rationalisation to raise allocative efficiency
- Quicken services sector liberalisation to leverage on regional growth opportunities
- Reduce government intervention (including GLCs) in the economy; incentives for private sector-led growth

# Thank you

**SUNWAY**  
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